

ANNUAL REPORT

OF

THE EAGLE PICHER LEAD COMPANY  
AND SUBSIDIARIES



December 31, 1940

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SUPERFUND RECORDS

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# The Eagle Picher Lead Company

## BOARD OF DIRECTORS

VINCENT H BECKMAN	JOSEPH HUMMEL JR
ARTHUR E BENDELARI	A KIEFER MAYER
FREDERICK HERTENSTEIN	ROBERT E MULLANE
CARL F HERTENSTEIN	JOHN A ROBINSON
JOHN J ROWE	

## OFFICERS

JOSEPH HUMMEL JR <i>Pres and Treas</i>	FREDERICK HERTENSTEIN <i>Vice-President</i>
WILLIAM R DICE <i>Executive Vice-Pres</i>	CARL A GRIST <i>Vice-Pres and Asst Treas</i>
GEORGE W POTTER <i>Vice-President</i>	VINCENT H BECKMAN <i>Secretary</i>

## DIVISION MANAGERS

White Lead in-Oil	Pigments	Insulation	Metal Goods
W H HAYT	MILES M ZOLLER	THURMAN C CARTER	WILLIAM F MURDOCK

## TRANSFER AGENT

WESTERN BANK & TRUST COMPANY CINCINNATI OHIO

## REGISTRAR

THE FIFTH THIRD UNION TRUST COMPANY CINCINNATI OHIO

»» ««

# The Eagle Picher Mining and Smelting Company

## BOARD OF DIRECTORS

VINCENT H BECKMAN	A KIEFER MAYER
ARTHUR E BENDELARI	ROBERT E MULLANE
FREDERICK HERTENSTEIN	GEORGE W POTTER
CARL F HERTENSTEIN	JOHN A ROBINSON
JOSEPH HUMMEL JR	JOHN J ROWE

## OFFICERS

JOSEPH HUMMEL JR <i>President</i>	CARL A GRIST <i>Treasurer</i>
GEORGE W POTTER <i>Executive Vice-Pres</i>	FREDERICK HERTENSTEIN <i>Vice-Pres</i>
JOHN A ROBINSON <i>Vice-Pres</i>	WILLIAM R DICE <i>Comptroller</i>
VINCENT H BECKMAN <i>Secretary</i>	

## ANNUAL REPORT

### The Eagle Picher Lead Company and Subsidiaries

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#### TO THE STOCKHOLDERS OF THE EAGLE PICHER LEAD COMPANY

The annual report of your company for the year ended December 31 1940 accompanied by financial statements is submitted herewith

#### Earnings and Sales

Consolidated net profit for the year after all charges was \$1 290 160 18 or \$1 44 per share on the common stock after providing for preferred dividends as compared to \$1 168 762 31 or \$1 30 per share for 1939 In the following condensed statement are presented the operating results for the two years

	1940	1939
Net Sales	\$27 994 175 79	\$25 914 411 30
Production and Manufacturing Costs	22 897 367 04	21 104 655 86
Gross Operating Profit	5 096 808 75	4 809 755 44
Selling Shipping Administrative and General Expenses	2 159 423 44	1 972 485 18
Net Operating Income		
Mining and Manufacturing Divisions	2 937 385 31	2 837 270 26
Northeast Oklahoma Railroad Company	281 873 16	226 143 23
Miscellaneous Income	3 219 258 47	3 063 413 49
	136 254 46	153 495 00
Interest Paid	3 355 512 93	3 216 908 49
	78 943 76	192 673 99
Net Profit—Before Depletion and Depreciation	3 276 569 17	3 024 234 50
Depletion Depreciation Abandonments etc	1 571 908 99	1 612 168 71
Provision for Federal and State Taxes on Income	1 704 660 18	1 412 065 79
	414 500 00	243 303 48
Net Income for Year	\$1 290 160 18	\$1 168 762 31
Average Metal Prices		
Lead—New York	\$5 18	\$5 05
Zinc—St Louis	6 34	5 11

Net sales showed an increase of approximately 8% over 1939. Sales tonnage of zinc metal was about 24% greater than in the previous year. The greater portion of the profits of the current year resulted from the production and sale of products normally classified as raw materials rather than from those which are more completely processed. Sales realization on manufactured products was only slightly greater than in 1939 and did not offset increased material and fabricating costs. Such increase in dollar volume as was experienced resulted from higher realizations rather than from increased tonnage which in the aggregate was approximately the same as in 1939. However tonnages of the various products fluctuated considerably from the preceding year. Sales to manufacturers of storage batteries increased, while sales to paint manufacturers and dealers declined as a result of adverse weather conditions in the first half of the year. Sales of insulation, plumbers supplies, solders, etc. showed a satisfactory increase.

The Northeast Oklahoma Railroad Company, a wholly owned subsidiary, had a net income after all charges including interest of approximately \$24,000.00 on obligations owned by other companies in the consolidated group in excess of \$108,000.00 in comparison with \$81,000.00 for the preceding year.

### Interest Charges

During the year the company effected a rearrangement of its bank indebtedness whereunder the aggregate amount of \$2,500,000.00 was extended and made payable in five annual installments of \$500,000.00 each and the interest rate was reduced from 4% to 2½% per annum from March 30, 1940. As a result of this rearrangement and decreased borrowings consolidated interest charges showed a material reduction.

### Taxes

Total taxes paid and accrued in 1940 were in excess of \$985,000.00 or approximately \$1.10 per share in comparison with \$775,000.00 or 85c per share in the preceding year. The increase is largely attributable to the required provision for Federal and State taxes on income which in 1940 amounted to \$414,500.00 or approximately \$1.71 per share more than in 1939. On the basis of consolidated invested capital it appears that the company will not be liable for excess profits taxes on 1940 income.

### Dividends

Dividends have been regularly paid during the year on the company's 6% cumulative preferred stock and 40c per share was declared and paid on the common stock.

### Balance Sheet

Net working capital at the year-end as reflected by the excess of current assets over current liabilities amounted to \$6,935,707.01 and the current ratio at December 31, 1940 was approximately 3½ to 1.

Net income for the year before provision for depletion and depreciation of \$1,343,507.06 (which did not involve a cash outlay), amounted to \$2,633,667.24. Cash realized from minor other sources aggregated \$111,054.35 so that the total funds available from the year's operations amounted to \$2,744,721.59. Of this amount \$860,612.35 was paid to the former owners of Commerce Mining and Royalty Company thereby reducing the contingent purchase money obligation assumed in connection with the acquisition of those properties. \$695,151.29 was expended for plant extensions, improvements and replacements and \$48,799.93 for mining exploration and development and \$386,564.40 was disbursed in dividends to shareholders. These disbursements aggregated \$1,991,127.97 leaving a balance retained in the business of \$753,593.62 which is reflected in working assets required in the conduct of the company's operations.

### Mining and Smelting Operations

The demand for zinc metal has been steadily increasing throughout 1940 and is presently in excess of national productive capacity and available smelting facilities. Your company, as one of the large zinc producers, has increased its mining and milling production and smelter capacity to assist in meeting this demand. In

1940 ore received at your mills totalled 3 296 000 tons or approximately 13% in excess of the amount of 2 910 000 tons received in the previous year. Of the total tonnage received 2 799 000 tons or approximately 85% were handled over the Central Mill the remainder being divided amongst four small mills. All mills are operating to capacity at the present time and an additional mill has been placed in operation since the first of the year. On an average lower grade ores were mined in 1940 than in the previous year and if production is to be increased further to any considerable extent it must come from still lower grades of ores. Production of lead and zinc concentrates totalled 207 150 tons in 1940 compared with 193 697 tons in 1939 and 104 305 tons in 1938. Conversion of zinc metal from zinc concentrates at the company's two smelters was approximately 40% greater than in 1939 and 1941 production should exceed 1940 by some 20%.

### General

Notwithstanding that our greatest effort is being concentrated on the production of zinc metal for which the need is so acute at the present time your Management is not neglecting the normal functions of the company. A new process for the manufacture of zinc oxide was developed to the point of justifying construction of a commercial plant. Operation of this plant was commenced in 1941 and the Management is confident that it will serve not only to increase the sale of fabricated products but will also place your company in a stronger competitive position. Other products were improved in 1940 and certain new products are being tested before being placed on the market. Additional developments are under way and some of them look promising for successful conclusion in 1941.

Defense demands and increased domestic consumption seem to insure that production will be at capacity throughout the coming year. However these conditions are abnormal and cannot be expected to continue indefinitely. Hence your Management is keeping constantly in mind the highly competitive situation with which industry will doubtless be confronted during the period of readjustment and is endeavoring to maintain your company in strong financial position and otherwise equip it to meet these anticipated problems.

The Directors and Officers wish to take this opportunity to acknowledge the continued cooperation and loyalty of employees and their contribution to the results attained.

JOSEPH HUMMEL JR.  
*President*

WILLIAM R. DICE  
*Executive Vice-President*

With the approval of the Board of Directors  
CINCINNATI OHIO  
February 28 1941

# THE EAGLE Picher LEAD

## CONSOLIDATED BALANCE SHEET

ASSETS		DECEMBER 31 1940	DECEMBER 31 1939
<b>CURRENT ASSETS</b>			
Cash in Banks and on Hand		\$ 1 622 833 24	\$ 1 152 400 79
Accounts and Notes Receivable—Trade	\$2 884 394 41		\$2 498 631 62
Accounts and Notes Receivable—Other	146 540 88		189 684 87
	<u>3 030 935 29</u>		<u>2,688 316 49</u>
Less Reserves for Doubtful Accounts	380 476 58	2 650 458 71	310 939 51
Advances on Purchase Contracts		20 530 98	
Inventories of Raw Materials Work in Process and Finished Products (including merchandise on consignment to customers)			2,377 376 98
Ores Metals and Metal bearing Products—valued at cost or market price of metal content which ever was lower at December 31 plus manufacturing costs on Materials in Process and Finished Products	4 569 905 56		4 252 758 74
Other Merchandise for Resale—at cost	422 950 47		490 108 83
	<u>4 992 856 03</u>		<u>4 742 867 57</u>
Manufacturing Supplies and Stores—at cost	336 208 93	5 329 064 96	502 168 02
		<u>9 622 887 89</u>	<u>5 245 035 59</u>
			8 780 145 07
<b>OTHER ASSETS</b>			
Repair Parts Maintenance Supplies, etc	440 841 32		193 644 49
Employees Loans and Expense Advances	21 708 64		20 322 48
Miscellaneous Accounts Advances etc	20 849 79	483,399 75	16 145 84
			230 112 81
<b>FIXED ASSETS</b>			
Mining Lands and Leases Mills, Smelters and Fabricating Plants and Equipment Railroad Properties Pipe Lines Automotive and Haulage Equipment Warehouses Furniture and Fixtures etc (including \$64 777 33 excess cost of acquisition over book value of net assets acquired)	31 707 469 53		32 431 046 67
Less Reserves for Depletion Depreciation etc	20 404 371 12		20 139 376 53
	<u>11 303 098 41</u>		<u>12 291 670 14</u>
Construction Work in Progress	444 762 70	11 747,861 11	104 546 74
			12 396 216 88
<b>SELF-INSURANCE FUND SECURITIES</b>			
U S Government Obligations—at cost (Market value at December 31 1940—\$115,278 87)		105 668 44	129 256 84
<b>SUNDRY SECURITIES—at cost or estimated recoverable values</b>		16,697 48	73 723 49
<b>TREASURY STOCK—at cost</b>			
	<b>SHARES</b>		
	Dec 31 40		
Preferred	65	2,330 75	2,330 75
Common	5 924	21 797 56	21 797 56
Common—purchased by Subsidiary for resale	8 750	120 554 17	144 682 48
		<u>154 994 17</u>	179 122 48
<b>PREPAID AND DEFERRED CHARGES</b>			
Prepaid Freight Insurance etc	161 564 76		120 173 80
Royalty Advances	42 898 05		49 174 70
Other Deferred Charges	223 698 55	428 161 36	132,475 51
			301 824 01
<b>PATENTS GOODWILL ETC</b>		1 00	1 00
		<u>\$22,549,359 51</u>	<u>\$22 090 402 58</u>

# COMPANY AND SUBSIDIARIES

AS AT DECEMBER 31, 1940 AND 1939

LIABILITIES		DECEMBER 31 1940	DECEMBER 31 1939
<b>CURRENT LIABILITIES</b>			
Current Bank Indebtedness		\$ 500 000 00	
Accounts Payable		1 361 480 42	\$ 1 132 850 22
Preferred Dividend Payable		8 233 50	8 233 50
Accrued Liabilities			
Taxes—Other than Taxes on Income	\$ 185 571 31		\$ 190 259 93
Wages and Salaries	63 206 31		58 707 49
Compensation Awards etc	28 405 84		30 568 90
Provision for Federal and State Taxes on Income—estimated	478 040 84		305 429 02
Other Accrued Liabilities	28 262 20	783 486 50	26 826 96
Customers Credit Balances		33 980 46	40 080 48
		<u>2 687 180 88</u>	<u>1 792 956 50</u>
<b>DEFERRED BANK INDEBTEDNESS</b>			
Balance at December 31, 1940 payable \$500 000 annually 1942 to 1945 inclusive		2 000 000 00	2 500 000 00
<b>CONTINGENT PURCHASE MONEY OBLIGATION</b>			
Payable without interest from income (as defined in purchase contract and when as and if realized) of certain specified properties formerly owned by Commerce Mining and Royalty Company		3 405 564 22	4 266 176 57
<b>RESERVES FOR SELF-INSURANCE</b>			
Workmen's Compensation Liability	215 326 03		219 737 59
Fire and Tornado Coverage	63 926 21	279 252 24	57 353 87
		<u>279 252 24</u>	<u>57 353 87</u>
<b>RESERVES FOR CONTINGENCIES</b>			
Appropriated from Capital Surplus as at Jan 1 1935	600 000 00		600 000 00
Less Charges To January 1	\$339 241 51		298 126 60
For year ended Dec 31	5 370 13		41 114 91
	<u>344 611 64</u>	<u>255 388 36</u>	<u>339 241 51</u>
			260 758 49
<b>CAPITAL STOCK</b>			
Preferred 6% Cumulative			
Par Value \$100 redeemable at \$105			
Authorized and Outstanding—5 554 Shares	555 400 00		555 400 00
Common—Par Value \$10			
Authorized 1,000 000 Shares			
Issued and Outstanding 900,000 Shares	9 000 000 00	9,555 400 00	9 000 000 00
			9 555 400 00
<b>SURPLUS</b>			
Capital Surplus	1 898 760 96		1 898 760 96
Earned Surplus since January 1 1935			
Balance at January 1	1 539,258 60		579 745 49
Excess provision Federal Taxes on Income—Prior years	24 958 47		
Net Profit for year—per Profit and Loss Account	1 290 160 18		1 168 762 31
	<u>2 854 377 25</u>		<u>1 748 507 80</u>
Dividends paid and accrued			
Preferred	32,934 00		32 934 00
Common	353 630 40		176 315 20
	<u>386 564 40</u>		<u>209 249 20</u>
	<u>2 467 812 85</u>	<u>1 539 258 60</u>	
<b>TOTAL SURPLUS</b>		<u>4 366 573 81</u>	<u>3 438 019 56</u>
		<u>\$22 549 359 51</u>	<u>\$22 090 402 58</u>

CONTINGENT LIABILITIES—See Page Nine

# The Eagle Picher Lead Company and Subsidiaries

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the Years Ended December 31, 1940 and 1939

	YEAR ENDED DECEMBER 31, 1940	YEAR ENDED DECEMBER 31, 1939
NET SALES	\$27 994 175 79	\$25 914 411 30
PRODUCTION AND MANUFACTURING COSTS	<u>22,897 367 04</u>	<u>21 104 655 86</u>
GROSS OPERATING PROFIT—before Depletion and Depreciation	5,096 808 75	4 809 755 44
EXPENSES		
Selling	\$947 775 78	\$838 481 77
Traffic Warehousing and Shipping	244 862 25	233 697 41
General and Administrative	883 496 05	821 973 30
Bad Debt Provision—less Recoveries	<u>83 289 36</u>	<u>78 332 70</u>
	2 159 423 44	1 972,485 18
NET OPERATING INCOME—before Depletion and Depreciation		
Mining and Manufacturing	2 937,385 31	2 837 270 26
Northeast Oklahoma Railroad Company	<u>281 873 16</u>	<u>226 143 23</u>
	3 219 258 47	3 063 413 49
OTHER INCOME		
Royalties	98 284 85	105 059 44
Interest and Dividends	11 384 64	15 528 21
Miscellaneous	<u>26 584 97</u>	<u>32,907 35</u>
	3,355,512 93	3 216,908 49
INTEREST ON BANK INDEBTEDNESS	<u>78 943 76</u>	<u>192 673 99</u>
	3 276 569 17	3 024 234 50
DEPLETION DEPRECIATION ETC		
Provision for Depletion and Depreciation—per books	1 343 507 06	1 360 251 83
Abandoned Projects Prospecting Expenses and Loss on Retirement or Sale of Capital Assets	<u>228 401 93</u>	<u>251 916 88</u>
	1 571 908 99	1 612 168 71
NET PROFIT — before provision for Federal and State Taxes on Income	1 704 660 18	1 412 065 79
PROVISION FOR FEDERAL AND STATE TAXES ON INCOME	<u>414 500 00</u>	<u>243 303 48</u>
NET PROFIT FOR YEAR	<u><u>\$1 290 160 18</u></u>	<u><u>\$1 168 762 31</u></u>



## Contingent Liabilities

- 1 Notes receivable rediscounted aggregate liability whereunder cannot exceed \$11 384 00
- 2 Federal and State income taxes for years not yet examined by the respective taxing authorities Federal tax liability of The Eagle Picher Lead Company has been determined for all years to 1939 inclusive The Eagle Picher Mining and Smelting Company has been examined by the Bureau of Internal Revenue to 1938 inclusive but liability for the years 1936 1937 and 1938 has not yet been conclusively determined Potential liability of the latter company and of other minor subsidiaries in excess of the provision therefor is not considered to be significant
- 3 Pending personal injury suits and minor litigation liability whereunder is undeterminable but is not considered significant
- 4 Proceeding under the National Labor Relations Act to review a Board order now awaiting decision on appeal to the United States Circuit Court of Appeals Eighth Circuit Should the Board order be sustained an exhaustive investigation will be required to determine the liability thereunder
- 5 Agreement to indemnify former shareholders of Commerce Mining and Royalty Company for acts performed on behalf of said company liability whereunder is wholly contingent
- 6 Suit pending in the United States District Court at Cincinnati whereunder claimants seek to recover some sixteen million dollars on two principal causes of action One cause of action alleges failure to account for sulphur content of lead and zinc sulphide concentrates produced from Indian leases The Company contends that it has fully accounted therefor strictly in accordance with the terms of the leases and on a basis that has been in general use in the District for seventy five years The other principal cause of action alleges trespass on certain Indian lands prior to 1922 The Company contends that it was in possession of the lands under a valid lease and that it made full accounting thereunder and complied with all requirements thereof The United States Department of Interior on behalf of the Indians upon expiration in 1922 of the lease now attacked granted to the Company a new lease on the same property for a period of twenty five years whereunder the Company has since operated and accounted It is significant that the validity of the new lease was upheld by the United States District Court for the Northern District of Oklahoma which decision was affirmed by the United States Circuit Court of Appeals Tenth Circuit Similar suits involving the same issues were instituted in 1933 in the United States District Court at Kansas City (Mo ) in the name of the United States and at the request of the Department of Interior The Attorney General after investigation dismissed these suits without prejudice The present action was brought not by the Government but by an individual as next friend who seeks to recover on behalf of the Indians The original complaint was filed in August 1937 an amended complaint was filed in April 1938 and a second amended complaint was filed in January 1939 to which the Company has filed its answer Company's counsel is of the opinion that the case can be successfully defended although, because of the amount involved vigorous prosecution by the plaintiffs is anticipated

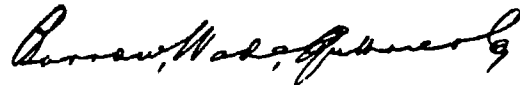
BARROW WADE GUTHRIE & CO  
(ESTABLISHED 1893)  
ACCOUNTANTS AND AUDITORS  
ONE NORTH LA SALLE STREET  
CHICAGO

TO THE DIRECTORS  
THE EAGLE PICHER LEAD COMPANY  
Cincinnati Ohio

We have examined the Consolidated Balance Sheet of The Eagle-Picher Lead Company and Subsidiaries as at December 31 1940 and the related Consolidated Profit and Loss Account for the year then ended. In connection therewith we reviewed the systems of internal control and the accounting procedures of the companies and without making a detailed audit of the transactions examined or tested their accounting records and other supporting evidence by methods and to the extent we deemed appropriate.

Inventories on hand at December 31 1940 were determined by the companies or their agents and confirmed by them as to quantities and condition. A substantial portion of the metal content of ores, metals and metal bearing products represents estimates based on established metallurgical formulae. We made quantitative tests of other portions of the inventories insofar as was considered practicable and satisfied ourselves generally as to the effectiveness of the methods of inventory taking and credibility of the representations regarding quantities and condition.

In our opinion the accompanying Balance Sheet and related Profit and Loss Account present fairly the consolidated financial position of The Eagle Picher Lead Company and Subsidiaries at December 31 1940 and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



ACCOUNTANTS AND AUDITORS

Chicago Illinois  
February 27 1941



## PLANTS

CHICAGO ILL

E St Louis ILL

JOPLIN MO

HENRYETTA OKLA

ARGO ILL

CINCINNATI OHIO

GALENA KAN

VAN BUREN ARK

HILLSBORO ILL

NEWARK N J

PICHER OKLA

RUBY ARIZONA

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## SALES OFFICES

BALTIMORE MARYLAND  
359 Guilford Avenue

BOSTON MASSACHUSETTS  
314 South Street

CHICAGO ILLINOIS  
1 No La Salle Street

CINCINNATI OHIO  
Temple Bar Building

CLEVELAND OHIO  
Broadway and East Ninth

DALLAS, TEXAS  
2211 Griffin St

DETROIT MICHIGAN  
1627 West Fort Street  
(Room 406)

JOPLIN MISSOURI  
C and Porter Street

KANSAS CITY KANSAS  
1721 Minnesota Ave

MINNEAPOLIS MINN  
437 Harding Street N E

NEW ORLEANS LA  
411 South Peters Street

NEW YORK NEW YORK  
420 Lexington Avenue

PITTSBURGH PA  
1713 Liverpool Street N S

PHILADELPHIA PA  
Delaware Avenue and  
Lombard Street

EAST ST LOUIS ILL  
305 St Clair Avenue

(Sales Offices for Slab Zinc The Eagle Picher Mining & Smelting Co Joplin Mo )



# PRINCIPAL EAGLE-PICHER PRODUCTS

## Pigments and Oxides

Zinc Oxides  
White Lead Carbonate  
Sublimed White Lead  
Super Sublimed White Lead  
Sublimed Blue Lead  
Lead Oxides  
Red Lead  
Orange Mineral  
Litharge  
Sublimed Litharge  
Lithopone  
Lead Silicate

## Metallic Products

Alloys Tin—Lead  
Antimonial Lead  
Anodes Tin  
Bearing Metals  
Caulking Lead  
Lead Pipe and Tubing  
Tin Pipe and Tubing  
Roof Flanges  
Plumbers Lead Fittings  
Solders  
Lead Wool

## Painting Materials

White Lead in Oil  
Sublimed Blue Lead in Oil  
Red Lead in Oil  
Flatting Oil  
Lead Reducing Oil

## Mineral Wool Insulation

### For Homes and Buildings

Mineral Wool—Granulated  
Mineral Wool—Loose  
Mineral Wool—Batts  
Mineral Wool—Blankets

### For Industrial Use

Plastic Insulation  
Mineral Wool—Loose  
Mineral Wool—Blankets  
Mineral Wool—Blocks  
Mineral Wool—Felts  
Caulking Compounds

**Slab Zinc**  
(Spelter)